

**DRAFT**  
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Public Hearing \_\_\_\_\_  
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Filed: \_\_\_\_\_

Sponsored by: \_\_\_\_\_

COUNCIL BILL NO. 2009 - \_\_\_\_\_

RESOLUTION NO. \_\_\_\_\_

### A RESOLUTION

1 OUTLINING the November 2009 Police-Fire Pension Fund sales tax vote.  
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5 WHEREAS, in 1946 the Citizens of Springfield voted to create a separate pension system  
6 (the Police Officers' and Fire Fighters' Retirement Fund) in order to provide for the well-being  
7 of disabled and retired Springfield Police Officers and Firefighters; and  
8

9 WHEREAS, the system was intended to be funded by various methods including gifts,  
10 employee contributions, employer contributions, and a tax imposed on the property holders of  
11 Springfield; and  
12

13 WHEREAS, Springfield Police Officers and Fire Fighters have been unable to participate  
14 in the Federal Social Security System and cannot avail themselves of that program; and  
15

16 WHEREAS, in order to be able to recruit and retain qualified individuals as Police  
17 Officers and Fire Fighters over the last 60 years, and to be able to continue to attract such  
18 individuals, it is necessary to offer a defined-benefit retirement plan, which is the standard for  
19 these public safety jobs; and  
20

21 WHEREAS, over the years it has become apparent that changes must be made to the  
22 pension system in order to achieve the goals of providing for the disabled and retired police  
23 officers and fire fighters, as well as keeping the defined-benefit plan in place in order to continue  
24 attracting and retaining qualified police officers and fire fighters; and  
25

26 WHEREAS, in June 2006, changes were made to the pension system by City Council  
27 that closed the "Tier I" pension plan to new hires after June 2006 and replaced it with a plan  
28 ("Tier II") that more closely resembles the State Local Government Employer's Plan (LAGERS)  
29 in which other City employees participate; and  
30

31 WHEREAS, the "Tier II" pension plan increased the retirement age by five (5) years,  
32 eliminated the automatic cost-of-living adjustments, eliminated the inclusion of leave pay-outs

33 from the final average salary calculation, and eliminated the return of contributions for those  
34 employees hired after June 2006; and  
35

36 WHEREAS, in an effort to meet the actuarially recommended contributions for the Fiscal  
37 Year 2008-09, the City administration and City Council cut approximately \$7 million by  
38 eliminating positions, instituting a hiring freeze, reducing expenditures in several departments,  
39 and using \$2.1 million of one-time carryover funds to balance the 2008-09 budget; and  
40

41 WHEREAS, in an effort to meet the actuarially recommended contribution for the Fiscal  
42 Year 2009-2010, the City Council cut \$5.7 million by eliminating a variety of community  
43 services, greatly reducing contributions to community service organizations, eliminating  
44 additional positions, continuing the hiring freeze, freezing all pay increases (including merit  
45 steps), freezing deferred compensation, and further reducing the budgets of several departments;  
46 and  
47

48 WHEREAS, Council has determined that such continued reduction or elimination of  
49 services will have immediate and future adverse impacts on this community, that such budget  
50 reductions are not sustainable over a long period of time, and that such cuts will not sufficiently  
51 offset the deficit in the pension system; and  
52

53 WHEREAS, in addition to the actions of budget cuts and increased employer  
54 contributions to the pension system, in 2004 and 2006, funds designated for Police Officers' and  
55 Fire Fighters' salary increases were redirected to the pension system; and  
56

57 WHEREAS, although these changes have been made, as of June 30, 2009, the Police-Fire  
58 Pension System's funded ratio continues to decline and is approximately \$200 million short of  
59 being fully funded on an actuarial basis; and  
60

61 WHEREAS, the plan's funded ratio has dropped for the past nine years from 79.9% to  
62 47.6% (as of June 30, 2008), and the market value of the assets at June 30, 2008, was  
63 \$128,297,956, and with this loss in market value over the past fiscal year, we estimate that the  
64 funded ratio for 2009 will further decline; and  
65

66 WHEREAS, the funding shortfall in the Police-Fire Pension System is almost three-times  
67 the City's annual General Fund revenue (the fund used to pay Police Officers, Firefighters, and  
68 make the City's contribution into the retirement systems for all employees); and  
69

70 WHEREAS, the Police-Fire Pension System funding shortfall is a legal obligation of the  
71 City; and  
72

73 WHEREAS funds from the City's other citizen-approved taxes, such as the Capital  
74 Improvements and Transportation taxes, can only be used for the voter-approved purposes set  
75 out in the respective ballots and cannot be diverted from these uses to fund the Police-Fire  
76 Pension System; and  
77

78 WHEREAS, City Council recognizes that the underfunding of police and fire pension

79 systems is an issue many cities are facing and this is not a challenge unique to Springfield; and

80  
81 WHEREAS, it is estimated that approximately 50 percent of Springfield's sales tax is  
82 paid by individuals who live outside of Springfield; and

83  
84 WHEREAS, after voters narrowly rejected the 1-cent sales tax proposal in February,  
85 2009, the City Council formed a Police-Fire Pension Fund Citizens' Task Force via ordinance on  
86 April 6, 2009, with diverse membership, charged them with studying this issue and making  
87 recommendations to City Council, and urged them to use a transparent, open process during their  
88 deliberations; and

89  
90 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force began meeting on April  
91 27, 2009, met more than 20 times, took their responsibilities seriously, spent a considerable  
92 amount of time researching and studying this complex issue on behalf of their fellow citizens,  
93 hosted two Town Hall meetings to collect public input, debated the various issues, and developed  
94 a set of recommendations that have been publicly presented to City Council and debated during a  
95 public hearing; and

96  
97 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force met with, and received  
98 presentations from, the Police and Fire Pension Board of Trustees, Citizens Keeping Our  
99 Commitment Committee, Fire Department, Police Department, Springfield Police Officers  
100 Association, International Association of Fire Fighters, Milliman, Inc. (the Pension Board's  
101 actuary), Segal Investment Advisors (the Pension Board's investment portfolio consultant),  
102 Show-Me Institute, City of Springfield, Chamber of Commerce, City Utilities, and LAGERS;  
103 and

104  
105 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force researched, considered,  
106 and voted NOT to recommend the City file for bankruptcy, using annuities or pension obligation  
107 bonds, reducing the ¼-cent Capital Improvement Program tax, changing from a defined-benefit  
108 plan to a defined-contribution plan, implementing an available 1.5 mil property tax, selling City  
109 Utilities, outsourcing the disability component of the pension plan, or changing the Pension  
110 Board's fiduciary duties; and

111  
112 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force and the City used an  
113 open, transparent process to complete its work by hosting meetings open to the public,  
114 broadcasting the meetings and Town Hall events on television and the City's web site, and  
115 posting all materials to the City's web site; and

116  
117 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force, in their report, agreed  
118 that this issue is "by far, the biggest challenge facing the City of Springfield at this time;" and

119  
120 WHEREAS, per the Police-Fire Pension Fund Citizens' Task Force's recommendation, a  
121 Tier I-to-LAGERS Feasibility Subcommittee will be created consisting of members of the Task  
122 Force and representatives from City administration, the Springfield Police Officers Association,  
123 the International Association of Fire Fighters, and Police and Fire department leadership, and  
124 charged with the task of investigating the feasibility of migrating Tier I employees into the

LAGERS L-11 plan and providing a report to City Council once this task is completed; and

WHEREAS, the Safety & Justice Roundtable, created jointly by the Greene County Commissioners and the Springfield City Council, consisting of 18 city and county residents, studied community safety and justice issues for 18 months and issued its report on July 22, 2009, ranked the solving of the Police-Fire Pension Fund Shortfall as their top recommendation and stated, "the Safety & Justice Roundtable feels strongly that solving the Springfield Police and Fire Pension issue should be our community's first and highest priority;" and

WHEREAS, it is anticipated that the City's Actuary Recommended Contribution will increase next year based on the upcoming "experience study" that is completed once every five years and is due to be completed within a few months, and recognizing that an increased City contribution to the pension fund will result in even deeper cuts to community services (including further reductions to Police and Fire services, since these departments comprise more than half of the General Fund budget), and further degrade this community's quality of life; and

WHEREAS, in order to assure that the burden of resolving the funding shortfall is not borne disproportionately by any one segment of the Springfield community, a sales tax will be presented to the voters which would substantially reduce the funding shortfall and ensure that everyone who receives the benefits provided by the Springfield Police and Fire Departments (including visitors to Springfield) will share in the cost of providing these services; and

WHEREAS, the Police-Fire Pension Fund Citizens' Task Force stated, "The Task Force unanimously agrees that a sales tax is necessary to address the underfunded Pension Fund. Funding of the plan cannot be accomplished via the City's General Fund budget without devastating results to Springfield's quality of life in the near future" and encouraged placing a sales tax on the November, 2009 ballot; and

WHEREAS, while the current City Council recognizes that it cannot bind future Councils on budget and appropriation matters, the current City Council believes that in order to best address the pension system shortfall, it is necessary to take a comprehensive approach to the issue and to ensure that no aspect of the City's budget or appropriations process is overlooked in formulating a solution to this crisis.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF SPRINGFIELD AS FOLLOWS:

1. The City Council, by Ordinance No \_\_\_\_\_, passed on August 24, 2009, seeks voter approval of a three-quarter (3/4) cent sales tax with said revenues to be used exclusively for the funding of the Police Officers' and Fire Fighters' Retirement Fund, **as recommended by the Police-Fire Pension Fund Citizens' Task Force**. Said tax will continue for a period of five (5) years, and will likely require at least one five-year renewal in order to sufficiently fund the pension system for the long term.
2. If the tax passes, the City will contribute 30.88 percent (2% higher than the traditional 28.88% contribution) of the total police and fire employee payroll (Tier I and LAGERS

combined) into the pension system during the life of the tax, including any and all renewal periods. Any additional funds from this amount over-and-above what is required for the LAGERS contribution will be placed into the self-funded Pension Fund. (The most recent estimates indicate a 14.5% contribution rate for Police employees and a 19.3% contribution rate for Fire employees going into LAGERS.)

3. If the tax passes, Police and Fire "Tier I" employees will increase their contributions to the pension fund from the current 11.35 percent of their gross pay by an additional \_\_\_ percent to a total of \_\_\_ percent effective July 1, 2010, **as recommended by the Police-Fire Pension Fund Citizens' Task Force.** *[Note: Percentages will be filled in once negotiations with employee groups have been completed.]*
4. If the tax passes, all new police officer and fire fighter hires will be enrolled in the State's LAGERS retirement system, the City's existing self-funded pension plan will be closed to future hires, and police officers and fire fighters hired after July 1, 2006 will be offered the option of voluntarily migrating from the City's self-funded pension plan into LAGERS, **as recommended by the Police-Fire Pension Fund Citizens' Task Force.**
5. To the extent the City of Springfield recovers any funds from its ongoing lawsuit with telecommunications providers for back taxes alleged to be owed by such companies, the City will, after payment of attorney's fees and expenses, contribute all net lump-sum settlement proceeds into the pension system providing the pension fund's funded ratio is less than 80% at the time the lawsuit settlement occurs. If the pension fund's funded ratio is 80% or greater at the time the lawsuit settlement occurs, the City Council may use these funds as it deems to be in the City's best interest at that time, including depositing some or all into the pension fund.
6. The City Council will restructure the Pension Board to address potential conflict-of-interest issues, and will seriously consider the two alternatives **recommended by the Police-Fire Pension Fund Citizens' Task Force.** *[Note: This action can be considered by Council prior to the November 3<sup>rd</sup> election.]*
7. The City Manager will work with staff to market and sell any unused property (already identified during a recent analysis), when possible and practical, and invest the net General Fund proceeds from the sale of property into the Pension Fund, **as recommended by the Police-Fire Pension Fund Citizens' Task Force.**

Passed at meeting: \_\_\_\_\_

\_\_\_\_\_  
Mayor

217 Attest: \_\_\_\_\_ City Clerk

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220 Filed as Resolution: \_\_\_\_\_

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223 Approved as to form: \_\_\_\_\_ City Attorney

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226 Approved for Council Action: \_\_\_\_\_ City Manager

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